

# UK INTERMEDIARY MARKET SURVEY

NOVEMBER 2020



## THE NEED FOR EXPERT ADVICE ON THE ROAD TO RECOVERY

**Our UK Intermediary Market Survey results show a mixed picture in the world of financial advice - largely attributed to waning positivity among UK SMEs and uncertainty surrounding further lockdown measures.**

While most years bring opportunities and challenges for businesses, 2020 seems more weighted towards the latter but it is here that UK intermediaries can step in to support clients, and the wider economy.

Government stimulus measures such as BBLS and CBILS have been a lifeline for thousands of businesses since the outbreak of the pandemic. According to statistics released by the Treasury, UK businesses have borrowed close to £58bn in government-backed loans since March.<sup>1</sup>

While the sector is now awash with cheap cash, central support alone won't save UK businesses.

Many have been rejected for government-back loans. Of those who have been successful, many have sought financing methods that offer short term fixes, with longer term implications.

The announcement of The Prime Minister's 'three tier' Covid-19 restrictions in October, followed closely by the second national lockdown across England, will undoubtedly impact UK PLC further.

In this ever-changing climate, business advice is more important than ever. The UK has one of the world's leading business advice sectors. Whether this is via accountants, finance brokers, turnaround and restructuring experts, or consultants offering specialist support

surrounding strategy, there are a wealth of resources available to businesses.

As a funder that prides itself on taking a relationship-based approach, no two funding facilities are the same. We help businesses unlock working capital for a range of scenarios. This includes cashflow funding, new equipment purchase, business growth, management buy ins and buy outs, refinancing, corporate restructuring as well as mergers and acquisitions.

Structuring the right financing options is often down to the expertise of a seasoned intermediary being able to connect the dots between business and lender. It relies on the capability of advisors to identify creative ways to unlock cashflow from balance sheets and assets to find the best package for their clients, while understanding the risk criteria of lenders.

It's this understanding of both clients and lenders that makes intermediaries such an important part of the commercial finance world. SMEs that seek-out expert advice and consider the longer term financing requirements will be best placed to adapt to the new business environment.



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**DAVE GOLDING**

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<sup>1</sup> <https://www.gov.uk/government/collections/hm-treasury-coronavirus-covid-19-business-loan-scheme-statistics>

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# BUSINESS SENTIMENT DATA

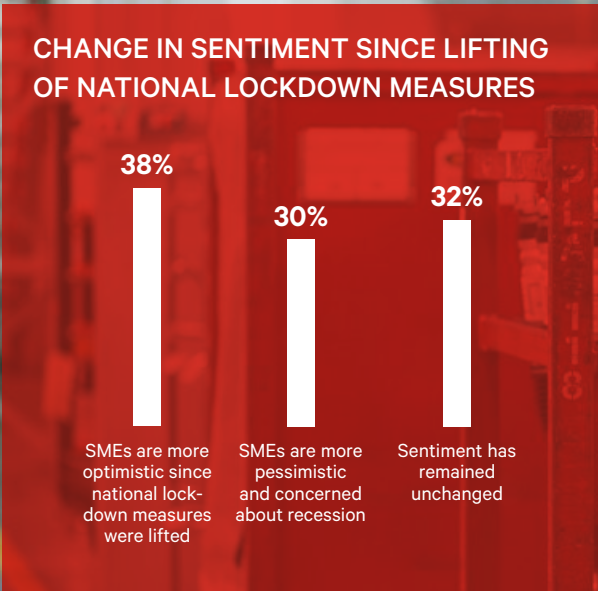


While the lifting of national lockdown measures increased optimism among SMEs, it is likely this has been reversed by the re-introduction of local measures in recent weeks.

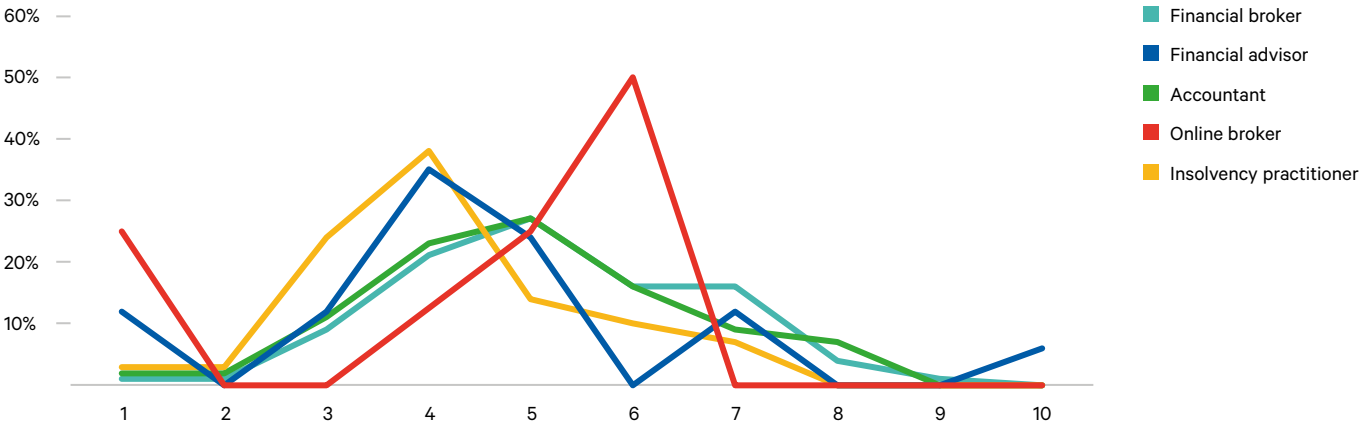


According to intermediaries, almost a third of SMEs are concerned about the recession. Intermediaries were asked to rate out of ten the current sentiment amongst their clients with ten being most optimistic.

Unsurprisingly, confidence among clients is low and, overall, intermediaries gave a mean score of 4.9 out of 10 regarding current business sentiment.



## SME OPTIMISM RATING BY INTERMEDIARY TYPE



# GOVERNMENT SUPPORT

Government stimulus measures introduced since March continue to dominate the finance landscape.



Almost 9 in ten intermediaries (86%) have received enquiries relating to the Coronavirus Business Interruption Loan Scheme (CBILS), with 19 per cent receiving 10-20 enquiries since March, and 22 per cent receiving more than 20.



Two-thirds of intermediaries say they have received enquiries from those rejected for CBILS arrangements.



58%

In the majority of cases, CBILS facilities have been used to finance both short term commitments, and long term planning (58%), and in four-fifths of instances (78%), such loans have been used in addition to existing financing arrangements.

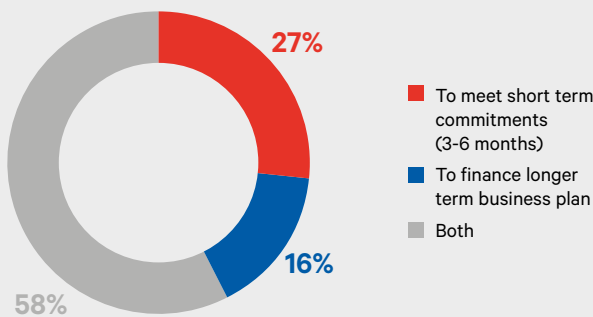


81% of advisors say they have recommended Invoice Finance for those rejected for Government-backed loans.

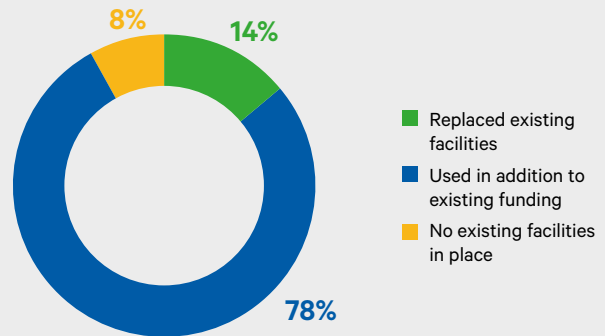


More than two-fifths believe an increase in insolvencies is likely once Government support measures stop.

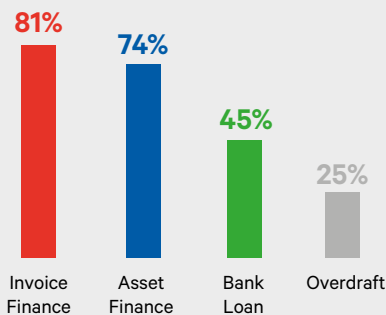
## USE OF CBILS



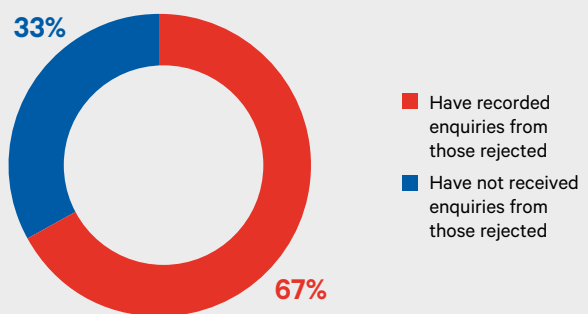
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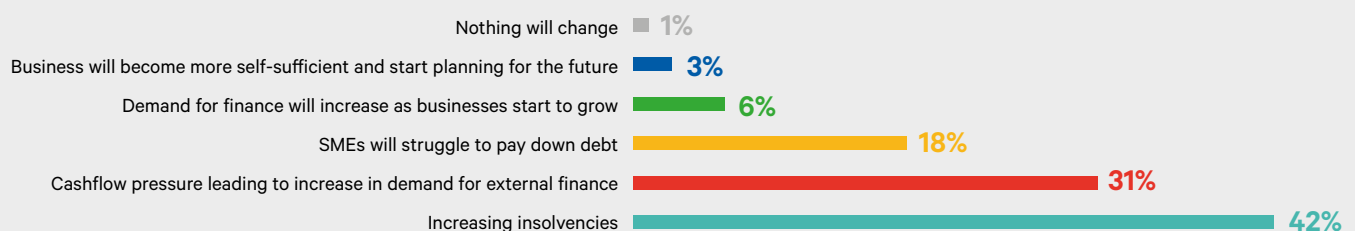
## FINANCE RECOMMENDED FOR REJECTED BUSINESSES



## CBILS REJECTION ENQUIRIES



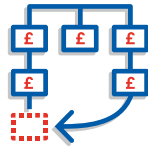
## IMPACT OF END OF GOVERNMENT SUPPORT



# FINANCE MARKET CONDITIONS



Two-fifths (42%) of advisors state the key challenge over the coming months is the willingness of funders to lend to their clients.



Almost a fifth believe refinancing or restructuring debts for clients offers the greatest opportunity over the next six months into Spring 2021.

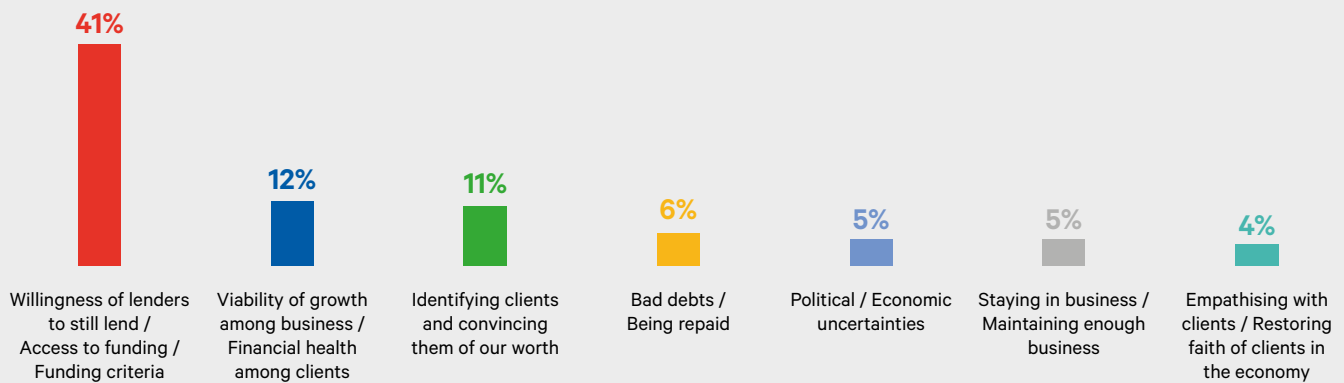


One in ten believe opportunities will begin to resurface once Government funding comes to an end.



Half say normal demand for finance won't return until summer 2021.

## ADVISOR CHALLENGES



## KEY CHALLENGES OVER THE NEXT SIX MONTHS

- ADVISOR COMMENTS

**“Persuading funders to lend and look at the whole proposition, not just the latest numbers.”**

“Making sure that we are working with businesses that have a future, even if that is via a restructure. Many businesses will simply fail.”

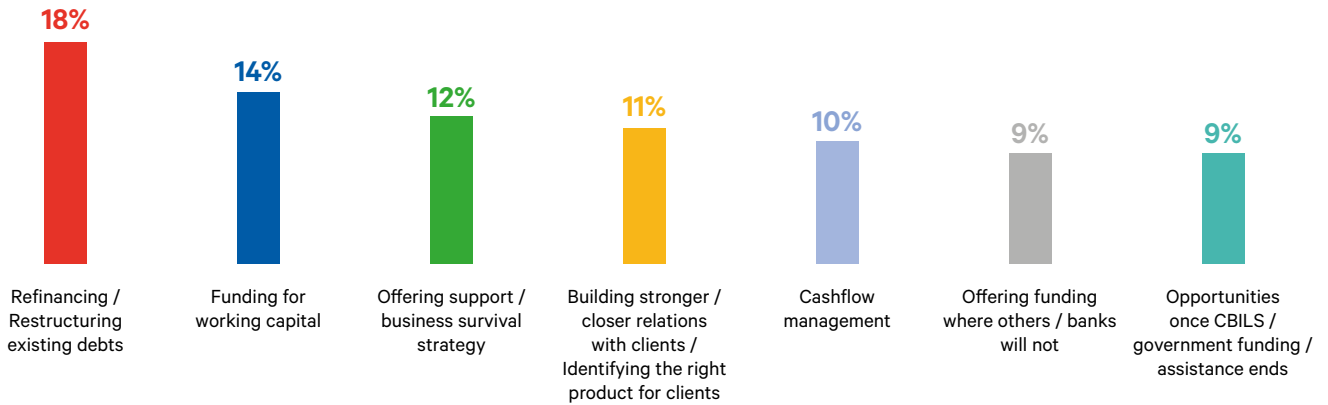
“Unsecured “easy” funding will be reined in. I can see less experienced brokers may struggle to structure deals to funders requirements.”

“Getting in front of those businesses that have accepted Government aid but now need cash to meet working capital requirements.”

“To try to find new business at a more competitive rate, as the government schemes have made it very difficult to compete.”



## ADVISOR OPPORTUNITIES



## KEY OPPORTUNITIES OVER THE NEXT SIX MONTHS

- ADVISOR COMMENTS

**“Bridging the gap between banks and state aid is the new reality.”**

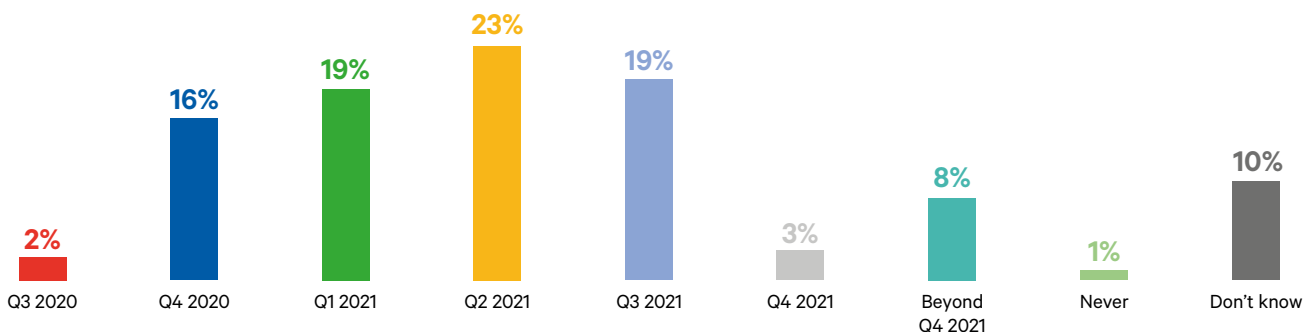
“SMEs are getting more used to borrowing since the outbreak, so as long as realistic rates and terms can be offered, this could represent a good opportunity.”

“Cessation of government support and weakened balance sheets are likely to lead to a rise in working capital support required. The banks are unlikely to have huge appetite as they will be digesting CBILS/BBILS loans.”

“ABL / Working Capital facilities are an opportunity for businesses that have ordinarily utilised balance sheet cash reserves to fund cashflow, which is now depleted. As such, they will need to consider other options to either tread water or grow.”

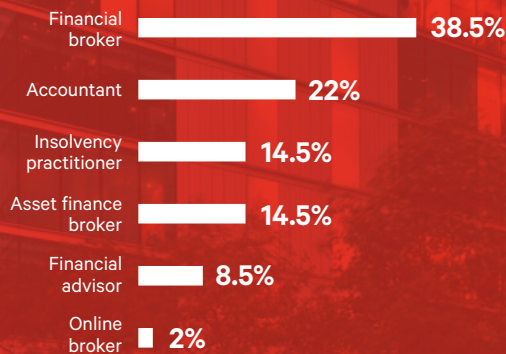
“Hopefully there will be an increase in demand on the back of the governments ‘build’ initiative. This should see an increase in government’s requirements from the construction and related industries.”

## EXPECTED RETURN OF EXTERNAL FINANCE DEMAND



# METHODOLOGY

The UK Intermediary Market Survey was conducted among 200 UK-based accountants, finance brokers, business advisors and insolvency practitioners between 27 August 2020 and 24 September 2020. Research was conducted by Critical Research using a mixed methodology approach, with 76 respondents surveyed via Computer Aided Telephone Interviewing, and 124 respondents completing the survey online.



## CONTACTS

To speak with us about how we can support you and your clients, call **0808 501 6446**. Alternatively, get in touch with one of our team below.

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